

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 455 (Delegate McConkey, *et al.*)
Environmental Matters

Task Force to Study the Residential Property Foreclosure Process

This bill establishes a Task Force to Study the Residential Property Foreclosure Process in the State, staffed by the Office of the Commissioner of Financial Regulation and the Administrative Office of the Courts. The task force must submit a report of its findings and recommendations to the Governor and the General Assembly by December 1, 2011.

The bill takes effect July 1, 2010, and terminates December 31, 2011.

Fiscal Summary

State Effect: Given the State's fiscal difficulties, agency budgets have been constrained. Thus, the requirement to staff the task force and develop the report may not be absorbable within the existing budgeted resources of the Office of the Commissioner of Financial Regulation and the Administrative Office of the Courts. Instead, special and general fund expenditures may increase in FY 2011 and 2012 for contractual part-time staff to support the task force. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force is charged with (1) studying the foreclosure process from the foreclosure sale of the property to the ratification of the sale by the court; (2) reviewing the foreclosure action statistics in each judicial circuit, the consistency of the foreclosure review process among the judicial circuits, and the reasons for a backlog

of foreclosure actions; (3) examining current laws, regulations, and the Maryland Rules of Procedure governing the foreclosure process; and (4) recommending legislative, regulatory, and judicial procedural changes where warranted that would streamline the foreclosure process while protecting the interests of all parties in the process.

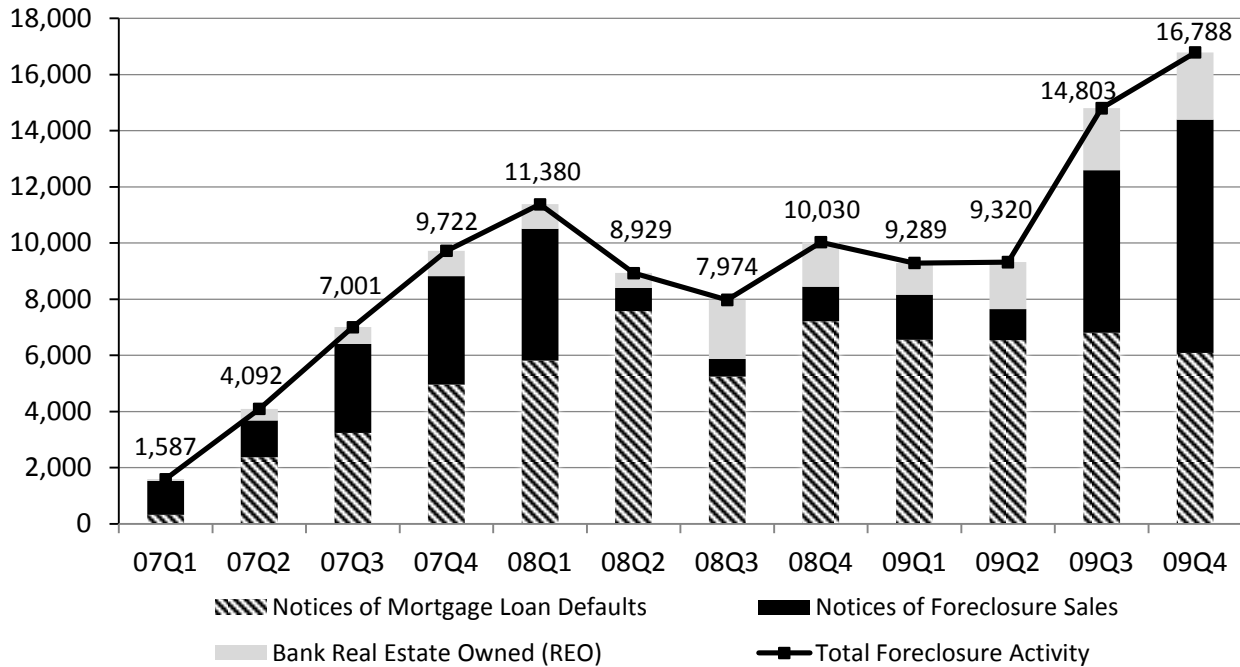
The task force consists of 15 members including one member of the Senate of Maryland, appointed by the President of the Senate; one member of the House of Delegates, appointed by the Speaker of the House; two members of the Judiciary, appointed by the Chief Judge of the Court of Appeals; the Attorney General, or the Attorney General's designee; the Commissioner of Financial Regulation, or the Commissioner's designee; two members of the Maryland Association of Circuit Court Clerks, appointed by the president's designee; and the following members, jointly appointed by the President of the Senate and the Speaker of the House:

- two members of the Maryland State Bar Association, including an individual on behalf of mortgage originators, lenders, and brokers and an individual on behalf of homeowners;
- one representative of the Maryland Bankers Association;
- one representative of the Maryland Mortgage Bankers Association;
- one representative of the Maryland Association of Mortgage Brokers;
- one representative of the Community Law Center; and
- one representative of St. Ambrose Housing Aid Center, Inc.

The President of the Senate and the Speaker of the House will jointly designate the chair of the task force. A task force member may not be compensated but is entitled to reimbursement for expenses under existing State travel regulations.

Background: According to the Department of Housing and Community Development, 1 in every 147 U.S. households received a foreclosure filing during the fourth quarter of 2009. During that same time, one in 138 Maryland households received a foreclosure filing, 6.1% above the national average. Maryland's foreclosure concentration rate was the tenth highest in the nation in the fourth quarter of 2009, up from the twelfth highest foreclosure concentration rate in the previous quarter. **Exhibit 1** shows the growth in foreclosure activity from the first quarter of 2007 through the fourth quarter of 2009.

Exhibit 1
Total Foreclosure Activity in the State
First Quarter 2007 – Fourth Quarter 2009



Source: Department of Legislative Services using DHCD quarterly report data attributed to RealtyTrac

State Expenditures: Neither the Office of the Commissioner of Financial Regulation nor the Administrative Office of the Courts can absorb the costs of staffing the task force within their existing budgeted resources. Although both agencies are required to staff the task force, it is unclear whether one agency would take primary staffing responsibility with the other providing secondary support. Thus, it is unclear whether both special and general fund expenditures would be needed. *For illustrative purposes only*, expenditures could increase by \$39,400 in fiscal 2011 and \$18,000 in fiscal 2012 for one contractual part-time employee to staff the task force. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. If additional personnel are required to provide support to the task force, additional general or special fund expenditures could be required.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

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ncs/ljm

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